

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Northville

**Financial Report
with Supplemental Information
December 31, 2006**

Charter Township of Northville

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11-12
Reconciliation of Fund Balances to the Statement of Net Assets	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14-15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	17
Statement of Revenue, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19-20
Fiduciary Funds - Agency Funds - Combined Balance Sheet	21
Notes to Financial Statements	22-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds	43-44
Note to Required Supplemental Information	45
Other Supplemental Information	46
Nonmajor Governmental Funds:	
Combining Balance Sheet	47-48
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	49-50
Fiduciary Funds - Agency Funds - Combining Balance Sheet	51



Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Charter Township of Northville
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Northville (the "Township") as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Northville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the remaining fund information of the Charter Township of Northville as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Charter Township of Northville

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Northville's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 2, 2007

Charter Township of Northville

Management's Discussion and Analysis

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide financial statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** - Most of the Township's basic services are included here, such as the police, fire, building, community development departments, and general administration. Property taxes, state-shared revenue, charges for services, and a special operating millage provide most of the funding.
- **Business-type Activities** - The Township charges fees to customers to help it cover the cost of services it provides. The Township's water and sewer system operations are treated as business-type activities.
- **Component Unit** - The Township includes one other entity in its reports, the Economic Development Corporation. Although legally separate, this "component unit" is important because the Township is financially accountable.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are for their intended purposes. All of the Township's fiduciary activities are reported in a separate combined balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance operations.

Financial Overview

Northville Township has combined total net assets of \$115 million. This was an increase over 2005 of approximately \$6 million. Business-type activities comprise \$85.7 million while governmental activities make up \$29.8 million of the total net assets.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 27,960	\$ 26,147	\$ 32,183	\$ 31,687	\$ 60,143	\$ 57,834
Noncurrent assets	33,298	31,744	55,285	53,035	88,583	84,779
Total assets	61,258	57,891	87,468	84,722	148,726	142,613
Liabilities						
Current liabilities	14,383	13,749	1,665	1,420	16,048	15,169
Long-term liabilities	17,122	18,030	69	77	17,191	18,107
Total liabilities	31,505	31,779	1,734	1,497	33,239	33,276
Net Assets						
Invested in capital assets -						
Net of related debt	13,445	10,864	50,441	49,966	63,886	60,830
Restricted	6,889	6,179	-	-	6,889	6,179
Unrestricted	9,419	9,069	35,293	33,259	44,712	42,328
Total net assets	<u>\$ 29,753</u>	<u>\$ 26,112</u>	<u>\$ 85,734</u>	<u>\$ 83,225</u>	<u>\$ 115,487</u>	<u>\$ 109,337</u>

The following table shows the changes in net assets (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 2,042	\$ 2,600	\$ 1,083	\$ 10,340	\$ 3,125	\$ 12,940
Operating grants and contributions	644	794	-	6,113	644	6,907
Capital grants and contributions	1,844	84	-	3,060	1,844	3,144
General revenue:						
Property taxes	11,588	10,617	-	-	11,588	10,617
State-shared revenue	1,454	1,466	-	-	1,454	1,466
Unrestricted investment earnings	1,110	510	1,563	605	2,673	1,115
Transfers	42	21	(42)	(21)	-	-
Special items and other	(51)	(86)	-	-	(51)	(86)
Total revenue	18,672	16,006	2,604	20,097	21,277	36,103
Program Expenses						
General government	2,972	2,323	-	-	2,972	2,323
Public safety:						
Police and fire	8,475	7,618	-	-	8,475	7,618
Building department	932	945	-	-	932	945
Community and economic development	393	415	-	-	393	415
Recreation and culture	1,343	1,013	-	-	1,343	1,013
Interest on long-term debt	916	810	-	-	916	810
Water and sewer	-	-	1,028	13,136	1,028	13,136
Total program expenses	15,031	13,124	1,028	13,136	16,059	26,260
Change in Net Assets	<u>\$ 3,641</u>	<u>\$ 2,882</u>	<u>\$ 1,576</u>	<u>\$ 6,961</u>	<u>\$ 5,218</u>	<u>\$ 9,843</u>

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled approximately \$18.6 million in 2006. A total of \$11.6 million was in the form of property tax collections, an increase of \$1 million over 2005. This increase reflects a significant growth in taxable value in the Township. State-shared revenue continues to be of concern. While they provide nearly \$1.5 million, we are uncertain what will happen in 2007 given the State's financial difficulties. The amount collected in 2006 was approximately \$12,000 less than what was received in 2005. Charges in services, primarily for inspections, generated approximately \$2 million.

Business-type Activities

Northville Township's business-type activities relate to water and sewer operations. Revenues for the business-type activities were approximately \$15 million. Water is provided to Northville Township residents via the Detroit water and sewer department. Sewage treatment is provided by contracts with Western Township Utility Authority (WTUA), Wayne County, and the Ypsilanti Community Utility Authority (YCUA). Northville Township is participating in a WTUA/YCUA project to expand the YCUA treatment facilities to ensure continued sewage treatment services for the community. This project is almost complete at this time.

Current Economic Events

Northville Township continues to experience good growth in the community. This is seen in continued growth in the housing, commercial, and industrial markets (although not as significant growth as in the past). Our state equalized value (SEV) is approximately \$2.25 billion, which is approximately \$315 million more than our taxable value (TV) for 2006 (relating to 2007 revenues). This is significant because taxes are based on taxable value, not SEV.

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2006/2007 calls for a level funding for state revenue-sharing payments. Unfortunately, we are significantly below earlier levels. However, there is continued growth in the community. One additional step we have taken to provide managerial and financial stability is a strategic forecasting plan. This plan will serve as our guide as we develop future budgets and strategies.

Charter Township of Northville

Management's Discussion and Analysis (Continued)

Financial Analysis of Township Funds and Budgets

The General Fund ended 2006 with a fund balance of \$3,588,516, including \$1,868,867 reserved for a long-term receivable. Several factors affected operating results. First, state-shared revenue has incurred constant declines. This was a result of the State's continued structural budget problems and the state's economy. However, tax revenue was up once again due to increased taxable values and investment income was up due to improved interest rates. Expenditures were within the expectations (actually below final budget).

The General Fund budget is amended semiannually. This is primarily done to prevent over-expenditures. Significant 2006 budget amendments included the clerk's department related to voter equipment, which increased the revenue and expenditure budget as the expenditure was covered by a grant.

Police and fire operations are funded separately through a dedicated millage. These funds are expended exclusively for operations of police and fire, respectively. Both funds ended the year overall within line with budget expectations.

The Shared Services Fund consists of the recreation, senior citizens, and youth assistance operations. Northville Township has a contractual arrangement with the City of Northville to provide these services to the community. These operations are funded separately through a dedicated millage. This fund ended the year within budget expectations.

Contact Us

This report is intended to aid our residents and other interested parties in understanding Northville Township's financial condition. Should you have further questions, please contact the finance department.

Charter Township of Northville

Statement of Net Assets December 31, 2006

	Primary Government			Component Unit (EDC)
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 18,776,688	\$ 7,916,124	\$ 26,692,812	\$ 5,056
Cash segregated for capital (Notes 3 and 4)	-	22,541,152	22,541,152	-
Receivables:				
Taxes	6,769,386	-	6,769,386	-
Customers	-	1,390,775	1,390,775	-
Special assessments	-	46,067	46,067	-
Other	-	205,407	205,407	-
Prepaid items and other assets	312,805	83,090	395,895	-
Due from other governmental units	2,101,439	-	2,101,439	-
Investments in joint ventures (Note 13)	2,347,279	4,605,193	6,952,472	-
Special assessments - Net of current portion	179,085	238,840	417,925	-
Nondepreciable capital assets (Note 6)	13,103,922	-	13,103,922	-
Depreciable capital assets - Net (Note 6)	17,667,868	50,441,381	68,109,249	-
Total assets	61,258,472	87,468,029	148,726,501	5,056
Liabilities				
Accounts payable and accrued liabilities	791,162	1,425,394	2,216,556	-
Deferred revenue (Note 5)	12,275,365	185,444	12,460,809	-
Noncurrent liabilities (Note 8):				
Due within one year	1,316,537	54,574	1,371,111	-
Due in more than one year	17,122,220	68,464	17,190,684	-
Total liabilities	31,505,284	1,733,876	33,239,160	-
Net Assets				
Invested in capital assets - Net of related debt	13,445,433	50,441,381	63,886,814	-
Restricted:				
Police and fire	6,294,288	-	6,294,288	-
Shared services	302,336	-	302,336	-
Debt service	292,453	-	292,453	-
Unrestricted	9,418,678	35,292,772	44,711,450	5,056
Total net assets	\$ 29,753,188	\$ 85,734,153	\$ 115,487,341	\$ 5,056

Charter Township of Northville

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities - General government	\$ 2,971,812	\$ 601,866	\$ -	\$ 1,694,238
Public safety:				
Police and fire	8,475,343	487,791	367,425	121,500
Building department	931,594	910,345	-	-
Community and economic development	393,106	41,645	83,898	-
Recreation and culture	1,343,320	4	192,222	-
Interest on long-term debt	915,612	-	-	27,875
Total governmental activities	15,030,787	2,041,651	643,545	1,843,613
Business-type activities:				
Water and sewer	11,728,353	8,707,884	3,353,724	600,210
Solid waste	1,028,391	1,082,620	-	-
Total business-type activities	12,756,744	9,790,504	3,353,724	600,210
Total primary government	<u>\$ 27,787,531</u>	<u>\$ 11,832,155</u>	<u>\$ 3,997,269</u>	<u>\$ 2,443,823</u>
Component unit - Economic Development Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Loss on sale of capital assets				
Transfers				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit (EDC)
Governmental Activities	Business-type Activities	Total	
\$ (675,708)	\$ -	\$ (675,708)	\$ -
(7,498,627)	-	(7,498,627)	-
(21,249)	-	(21,249)	-
(267,563)	-	(267,563)	-
(1,151,094)	-	(1,151,094)	-
(887,737)	-	(887,737)	-
(10,501,978)	-	(10,501,978)	-
-	933,465	933,465	-
-	54,229	54,229	-
-	987,694	987,694	-
(10,501,978)	987,694	(9,514,284)	-
-	-	-	1,000
11,587,657	-	11,587,657	-
1,454,282	-	1,454,282	-
1,109,590	1,563,828	2,673,418	192
(51,226)	-	(51,226)	-
42,473	(42,473)	-	-
14,142,776	1,521,355	15,664,131	192
3,640,798	2,509,049	6,149,847	1,192
26,112,390	83,225,104	109,337,494	3,864
\$ 29,753,188	\$ 85,734,153	\$ 115,487,341	\$ 5,056

Charter Township of Northville

	Special Revenue Funds			
	General Fund	Police	Fire	Shared Services
Assets				
Cash and investments (Note 3)	\$ 2,269,070	\$ 7,409,230	\$ 3,122,851	\$ 1,133,040
Receivables:				
Taxes	738,241	2,542,286	2,542,286	946,573
Special assessments	118,915	-	-	-
Prepaid items and other assets	95,019	109,300	101,167	-
Due from other governmental units	1,868,867	-	-	-
Due from other funds (Note 7)	159,054	-	-	-
Total assets	<u>\$ 5,249,166</u>	<u>\$ 10,060,816</u>	<u>\$ 5,766,304</u>	<u>\$ 2,079,613</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 210,238	\$ 112,972	\$ 95,266	\$ -
Due to other funds (Note 7)	-	58,415	29,588	70,000
Deferred revenue (Note 5)	1,450,412	4,651,216	4,585,375	1,707,277
Total liabilities	1,660,650	4,822,603	4,710,229	1,777,277
Fund Balances				
Reserved for long-term receivable	1,868,867	-	-	-
Unreserved - Reported in:				
General Fund - Undesignated	1,719,649	-	-	-
Special Revenue Funds	-	5,238,213	1,056,075	302,336
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Total fund balances	<u>3,588,516</u>	<u>5,238,213</u>	<u>1,056,075</u>	<u>302,336</u>
Total liabilities and fund balances	<u>\$ 5,249,166</u>	<u>\$ 10,060,816</u>	<u>\$ 5,766,304</u>	<u>\$ 2,079,613</u>

**Governmental Funds
Balance Sheet
December 31, 2006**

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,842,497	\$ 18,776,688
-	6,769,386
60,170	179,085
7,319	312,805
-	1,868,867
-	159,054
<u>\$ 4,909,986</u>	<u>\$ 28,065,885</u>

\$ 202,664	\$ 621,140
1,051	159,054
60,170	12,454,450
<u>263,885</u>	<u>13,234,644</u>
-	1,868,867
-	1,719,649
2,976,805	9,573,429
1,376,843	1,376,843
292,453	292,453
<u>4,646,101</u>	<u>14,831,241</u>
<u>\$ 4,909,986</u>	<u>\$ 28,065,885</u>

Charter Township of Northville

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended December 31, 2006

Fund Balance - Total Governmental Funds	\$ 14,831,241
--	----------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	30,771,790
Revenue-sharing revenue due from State not received within 60 days of year end is not available currently and is not recorded in the funds	232,572
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	179,085
Investments in joint ventures are not financial resources and are not reported in the funds	2,347,279
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(18,438,757)
Accrued interest is not due and payable in the current period and is not reported in the funds	<u>(170,022)</u>

Net Assets - Governmental Activities	<u>\$ 29,753,188</u>
---	-----------------------------

Charter Township of Northville

	Special Revenue Funds			
	General Fund	Police	Fire	Shared Services
Revenue				
Property taxes	\$ 1,272,487	\$ 5,694,709	\$ 2,466,381	\$ 2,154,080
Licensing and enforcement	-	275,826	-	-
Federal sources	-	294,010	121,500	-
State sources	1,464,219	-	-	-
Local sources	-	23,988	-	-
Building department	910,345	-	-	-
Fees, interest, and sundry	1,095,724	539,199	153,340	36,702
Total revenue	4,742,775	6,827,732	2,741,221	2,190,782
Expenditures				
Legislative	998,737	-	-	-
Clerk	537,608	-	-	-
Treasurer	886,776	-	-	-
Police department	-	5,539,148	-	-
Fire department	-	-	2,888,024	-
Building department	858,659	-	-	-
Planning and zoning	309,208	-	-	-
Shared services	-	-	-	1,398,832
Community development programs	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	70,784	260,796
Total expenditures	3,590,988	5,539,148	2,958,808	1,659,628
Excess of Revenue Over (Under) Expenditures	1,151,787	1,288,584	(217,587)	531,154
Other Financing Sources (Uses)				
Proceeds from issuance of debt (Note 8)	-	-	-	-
Transfer to escrow agent (Note 8)	-	-	-	-
Transfers in (Note 7)	624,924	-	-	-
Transfers out (Note 7)	(1,811,900)	(200,000)	(65,800)	(624,924)
Total other financing sources (uses)	(1,186,976)	(200,000)	(65,800)	(624,924)
Net Change in Fund Balances	(35,189)	1,088,584	(283,387)	(93,770)
Fund Balances - Beginning of year	3,623,705	4,149,629	1,339,462	396,106
Fund Balances - End of year	<u>\$ 3,588,516</u>	<u>\$ 5,238,213</u>	<u>\$ 1,056,075</u>	<u>\$ 302,336</u>

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended December 31, 2006

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 11,587,657
-	275,826
83,898	499,408
-	1,464,219
27,875	51,863
-	910,345
<u>517,072</u>	<u>2,342,037</u>
628,845	17,131,355
-	998,737
-	537,608
-	886,776
122,021	5,661,169
-	2,888,024
-	858,659
-	309,208
151,343	1,550,175
83,898	83,898
392,709	392,709
<u>1,591,957</u>	<u>1,923,537</u>
<u>2,341,928</u>	<u>16,090,500</u>
(1,713,083)	1,040,855
2,645,000	2,645,000
(2,550,000)	(2,550,000)
2,438,779	3,063,703
<u>(318,606)</u>	<u>(3,021,230)</u>
<u>2,215,173</u>	<u>137,473</u>
502,090	1,178,328
<u>4,144,011</u>	<u>13,652,913</u>
<u>\$ 4,646,101</u>	<u>\$ 14,831,241</u>

Charter Township of Northville

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ 1,178,328**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	\$ 1,419,034	
Contribution revenue from donated capital assets	1,686,600	
Net book value of assets disposed	(80,179)	
Depreciation expense	<u>(1,325,684)</u>	1,699,771

Revenue-sharing revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end (9,937)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (92,066)

Equity interest in the 35th District Courthouse Authority is not reported in the governmental funds (6,660)

Equity interest in the Northville Parks and Recreation Commission is not reported in the governmental funds (45,497)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt) 3,526,452

Proceeds from bond issuance is a financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt) (2,645,000)

Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities 3,934

Increase in accrued interest on bonds, installment purchase obligations, and capital leases is an expenditure in the statement of activities, but not in the governmental funds 31,473

Change in Net Assets of Governmental Activities **\$ 3,640,798**

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Net Assets December 31, 2006

	Water and Sewer	Nonmajor Fund - Solid Waste	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 7,580,991	\$ 335,133	\$ 7,916,124
Cash segregated for capital (Notes 3 and 4)	22,541,152	-	22,541,152
Receivables:			
Customers	1,390,775	-	1,390,775
Special assessments	46,067	-	46,067
Other	205,407	-	205,407
Prepaid items and other assets	83,090	-	83,090
Due from other funds (Note 7)	-	181,216	181,216
Total current assets	31,847,482	516,349	32,363,831
Noncurrent assets:			
Special assessments receivable - Net of current portion	238,840	-	238,840
Investments in joint venture (Note 13)	4,605,193	-	4,605,193
Capital assets - Net (Note 6)	50,441,381	-	50,441,381
Total noncurrent assets	55,285,414	-	55,285,414
Total assets	87,132,896	516,349	87,649,245
Liabilities			
Current liabilities:			
Current portion of long-term debt (Note 8)	54,574	-	54,574
Accounts payable and accrued liabilities	1,271,807	153,587	1,425,394
Deferred revenue (Note 5)	-	185,444	185,444
Due to other funds (Note 7)	181,216	-	181,216
Total current liabilities	1,507,597	339,031	1,846,628
Noncurrent liabilities - Long-term debt - Net of current portion (Note 8)	68,464	-	68,464
Total liabilities	1,576,061	339,031	1,915,092
Net Assets			
Investment in capital assets - Net of related debt	50,441,381	-	50,441,381
Unrestricted	35,115,454	177,318	35,292,772
Total net assets	<u>\$ 85,556,835</u>	<u>\$ 177,318</u>	<u>\$ 85,734,153</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Water and Sewer	Nonmajor Fund - Solid Waste	Total
Operating Revenue			
Water sales and sewer services	\$ 8,707,884	\$ -	\$ 8,707,884
Solid waste charges	-	1,082,620	1,082,620
Federal source grant revenue	17,860	-	17,860
Other revenue	227,356	-	227,356
Total operating revenue	8,953,100	1,082,620	10,035,720
Operating Expenses			
Cost of water	3,277,681	-	3,277,681
Cost of sewage disposal	4,586,204	-	4,586,204
Collection and recycling charges	-	967,274	967,274
Salaries and wages	925,516	-	925,516
Fringe benefits	341,830	-	341,830
System maintenance and operation	489,688	-	489,688
General and administrative	484,127	61,117	545,244
Depreciation	1,623,307	-	1,623,307
Total operating expenses	11,728,353	1,028,391	12,756,744
Operating Income (Loss)	(2,775,253)	54,229	(2,721,024)
Nonoperating Revenue (Expense)			
Customer connection fees	3,108,508	-	3,108,508
Interest income	1,549,850	13,978	1,563,828
Transfers out	(42,473)	-	(42,473)
Total nonoperating revenue	4,615,885	13,978	4,629,863
Income - Before contributions and transfers	1,840,632	68,207	1,908,839
Capital Contributions - Lines constructed by developers	600,210	-	600,210
Change in Net Assets	2,440,842	68,207	2,509,049
Net Assets - Beginning of year	83,115,993	109,111	83,225,104
Net Assets - End of year	<u>\$ 85,556,835</u>	<u>\$ 177,318</u>	<u>\$ 85,734,153</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended December 31, 2006

	Water and Sewer	Nonmajor Fund - Solid Waste
Cash Flows from Operating Activities		
Receipts from customers	\$ 9,123,247	\$ 1,091,468
Receipts from other governmental units - Grants	17,860	-
Payments to suppliers	(10,575,098)	(887,230)
Payments to employees	(1,269,658)	-
Payments for retiree health care	(42,473)	-
Internal activity - Net receipts from (payments to) other funds	<u>198,868</u>	<u>(237,833)</u>
Net cash used in operating activities	(2,547,254)	(33,595)
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	59,620	-
Purchase of capital assets	(1,482,949)	-
Connection fees	3,108,508	-
Principal and interest paid on capital debt	<u>(15,591)</u>	<u>-</u>
Net cash provided by capital and related financing activities	1,669,588	-
Cash Flows from Investing Activities - Interest received on investments	<u>1,572,793</u>	<u>13,978</u>
Net Increase (Decrease) in Cash and Cash Equivalents	695,127	(19,617)
Cash and Cash Equivalents - Beginning of year	<u>29,427,016</u>	<u>354,750</u>
Cash and Cash Equivalents - End of year	<u>\$ 30,122,143</u>	<u>\$ 335,133</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 7,580,991	\$ 335,133
Cash segregated for capital	<u>22,541,152</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 30,122,143</u>	<u>\$ 335,133</u>

Charter Township of Northville

Proprietary Funds - Enterprise Funds Statement of Cash Flows (Continued) Year Ended December 31, 2006

	Water and Sewer	Nonmajor Fund - Solid Waste
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ (2,775,253)	\$ 54,229
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	1,623,307	-
Change in investment in joint venture	(1,843,742)	-
Payments for retiree health care	(42,473)	-
Changes in assets and liabilities:		
Receivables	188,007	-
Prepaid items and other assets	(55,418)	-
Due from other funds	17,652	-
Accounts payable and accrued liabilities	161,698	84,544
Due to other funds	181,216	(181,216)
Deferred revenue	-	8,848
Accumulated compensated absences	(2,248)	-
Net cash used in operating activities	<u>\$ (2,547,254)</u>	<u>\$ (33,595)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2006, developers constructed water and sewer lines with an estimated value of \$600,210 and donated them to the Township's Water and Sewer Enterprise Fund.

Charter Township of Northville

Fiduciary Funds - Agency Funds Combined Balance Sheet December 31, 2006

Assets - Cash and cash equivalents (Note 3)	<u>\$ 11,007,979</u>
Liabilities	
Tax collections distributable	\$ 6,057,321
Bonds and deposits	<u>4,950,658</u>
 Total liabilities	 <u>\$ 11,007,979</u>

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Northville (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Northville:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Charter Township of Northville and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

The Northville Township Building Authority is governed by a three-member board that is appointed by the Township board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Northville Township Building Authority is inactive, and therefore is not included in the Township's financial report.

The Economic Development Corporation (the "EDC") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is separate from the Township. The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC's governing body, which consists of nine individuals, is selected by the Township board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. In addition, property taxes collected in December of the current year and January of the subsequent year are available; however, those taxes were levied for the following year's budget; therefore, this revenue has also been deferred.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millage on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical service in the Township.

The Shared Services Fund accounts for various recreation and culture activities within the Township. Revenues consist primarily of voter-approved millage on all real property.

The Township reports the Water and Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports Agency Fund types. The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled nearly \$1.8 billion. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The Township's tax levy for the year ended December 31, 2006 was as follows:

	Millage Rate	Levy
Operating	0.6825	\$ 1,201,820
Police and fire	4.6825	8,245,454
Shared services	1.2335	2,172,081
Total	6.5985	\$ 11,619,355

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue, net of administrative fees plus collection of delinquent tax revenues.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bike paths and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Bike paths	15 years
Buildings and improvements	30 years
Vehicles	5 years
Furniture and equipment	5 years
Computer equipment	3 years

Business-type activities:

Water and sewer systems	50-75 years
Buildings and improvements	25 years
Equipment	5-10 years

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and cumulative shortfall since January 1, 2000 is as follows:

Shortfall at January 1, 2006			\$ (283,671)
Current year building permit revenue			910,345
Related expenses:			
Direct costs	\$ 858,659		
Estimated indirect costs	<u>467,079</u>	<u>1,325,738</u>	
Current year revenue in excess of expenses			<u>(415,393)</u>
Cumulative shortfall			<u>\$ (699,064)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943 as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in accordance with the State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$17,071,154 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name:

Type of Investment	Carrying Value	How Held
U.S. government or agency bond or notes	\$ 8,969,437	Counterparty

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

At year end, the Township had investments in five government investment funds that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These funds are fully liquid for withdrawal at any time and the price per unit does not fluctuate with interest earned according to the amount and duration of investment. These pools are not rated and each of the five funds fully complies with Michigan's Public Act 20 of 1943 as amended. At year end, the Township had \$31,246,609 in this type of fund at Comerica Bank, \$66,462 at Morgan Stanley (Active Assets Money Trust), \$1,634,640 at Fifth Third Securities, Inc. (Fifth Third Institutional Money Market), \$1,070,083 at Ambassador Funds (Ambassador Money Market), and \$118,445 with MBIA Asset Management Group (Michigan CLASS).

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond or note	\$ 8,969,437	6.93 years

Note 4 - Cash Segregated for Capital - Water and Sewer

Segregated assets at December 31, 2006 consist of bank deposits. These assets are segregated by board resolution for replacement of plant, major repairs, acquisition of capacity, and facility expansion.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 5 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Proprietary funds report deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds/Activities			Proprietary Funds/Business- type Activities
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ -	\$ 12,209,524	\$ 12,209,524	\$ -
Special assessments	179,085	-	179,085	-
Forfeitures	-	65,841	65,841	-
Other	-	-	-	185,444
Total	<u>\$ 179,085</u>	<u>\$ 12,275,365</u>	<u>\$ 12,454,450</u>	<u>\$ 185,444</u>

On the government-wide statements, since reporting is based on the full-accrual basis of accounting, both governmental and business-type activities report only the amount of unearned revenue as deferred.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 6 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2006	Reclassifi- cations	Additions	Disposals and Adjustments	Balance December 31, 2006
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 8,287,400	\$ 2,949,774	\$ 1,686,600	\$ 4,010	\$ 12,919,764
Construction in progress	3,618,115	(3,782,782)	405,655	56,830	184,158
Subtotal	11,905,515	(833,008)	2,092,255	60,840	13,103,922
Capital assets being depreciated:					
Bike paths	452,180	-	5,550	-	457,730
Buildings and improvements	16,487,080	766,285	76,881	-	17,330,246
Vehicles:					
Police and fire	1,965,998	-	260,289	224,238	2,002,049
Other	393,275	-	23,603	54,792	362,086
Furniture and equipment	2,244,626	-	629,117	176,283	2,697,460
Computer equipment	695,087	66,723	17,939	7,039	772,710
Subtotal	22,238,246	833,008	1,013,379	462,352	23,622,281
Accumulated depreciation:					
Bike paths	115,230	-	29,967	-	145,197
Buildings and improvements	1,608,302	(1,112)	572,442	-	2,179,632
Vehicles:					
Police and fire	1,497,265	-	178,853	214,732	1,461,386
Other	284,534	-	45,863	46,531	283,866
Furniture and equipment	1,220,112	-	318,679	174,711	1,364,080
Computer equipment	346,299	1,112	179,880	7,039	520,252
Subtotal	5,071,742	-	1,325,684	443,013	5,954,413
Net capital assets being depreciated	17,166,504	833,008	(312,305)	19,339	17,667,868
Net capital assets	\$ 29,072,019	\$ -	\$ 1,779,950	\$ 80,179	\$ 30,771,790
Business-type Activities					
Capital assets being depreciated:					
Water and sewer systems	\$ 62,517,167	\$ -	\$ 1,434,829	\$ -	\$ 63,951,996
Buildings and improvements	1,549,786	-	-	-	1,549,786
Equipment	2,713,762	-	648,330	21,008	3,341,084
Subtotal	66,780,715	-	2,083,159	21,008	68,842,866
Accumulated depreciation:					
Water and sewer systems	14,037,153	-	1,277,065	-	15,314,218
Buildings and improvements	1,821,060	-	61,991	-	1,883,051
Equipment	940,973	-	284,251	21,008	1,204,216
Subtotal	16,799,186	-	1,623,307	21,008	18,401,485
Net capital assets	\$ 49,981,529	\$ -	\$ 459,852	\$ -	\$ 50,441,381

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 6 - Capital Assets (Continued)

For the business-type activities, all depreciation expense was charged to the Water and Sewer Fund. For the governmental activities, depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 577,790
Public safety:	
Police and fire	662,202
Building department	66,527
Recreation and culture	<u>19,165</u>
Total governmental activities	<u>\$ 1,325,684</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Police Fund	\$ 58,415
	Fire Fund	29,588
	Shared Services Fund	70,000
	Other nonmajor governmental funds	<u>1,051</u>
Total General Fund		159,054
Proprietary Funds -		
Solid Waste Fund	Water and Sewer Fund	<u>181,216</u>
Total		<u>\$ 340,270</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	Transfers Out						Total
	General Fund	Police Fund	Fire Fund	Shared Services Fund	Nonmajor Governmental Funds	Water and Sewer Fund	
Transfers in:							
General Fund (2)	\$ -	\$ -	\$ -	\$ 624,924	\$ -	\$ -	\$ 624,924
Capital Projects Fund (1)	906,700	-	-	-	-	-	906,700
General Capital Outlay Fund (1)	705,200	-	-	-	-	-	705,200
Retiree Healthcare Fund (4)	200,000	200,000	65,800	-	4,493	42,473	512,766
Land Acquisition Fund (3)	-	-	-	-	314,113	-	314,113
Total	<u>\$ 1,811,900</u>	<u>\$ 200,000</u>	<u>\$ 65,800</u>	<u>\$ 624,924</u>	<u>\$ 318,606</u>	<u>\$ 42,473</u>	<u>\$ 3,063,703</u>

- (1) Transfers for capital improvements
- (2) Transfers for repayment of loan
- (3) Transfers for debt service
- (4) Transfers for retiree health care

Note 8 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements and capital leases are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds:							
1999 General Obligation Bonds							
Amount of issue - \$3,270,000							
Maturing through 2020	5.00%	\$100,000	\$ 2,850,000	\$ -	\$ 2,650,000	\$ 200,000	\$ 100,000
2006 General Obligation Bonds							
Amount of issue - \$2,645,000		\$35,000-					
Maturing through 2020	3.75% - 4.00%	\$295,000	-	2,645,000	-	2,645,000	35,000
1993 General Obligation Bonds							
Amount of issue - \$260,000							
Maturing through 2008	5.70% - 5.80%	\$25,000	75,000	-	50,000	25,000	-
1995 Special Assessment Bonds							
Amount of issue - \$230,000		\$15,000 -					
Maturing through 2010	5.75% - 6.05%	\$20,000	90,000	-	15,000	75,000	15,000
2003 General Obligation Limited Tax Bonds							
Amount of issue - \$15,000,000		\$550,000 -					
Maturing through 2023	3.00% - 4.75%	\$1,100,000	14,750,000	-	500,000	14,250,000	550,000
Installment purchase agreements:							
2000 Fire Truck							
Amount of agreement - \$500,000		\$64,033 -					
Maturing through 2008	5.14%	\$67,324	192,259	-	60,902	131,357	64,033
1998 Land Contract							
Amount of agreement - \$700,000							
Maturing through 2008	5.50%	-	250,550	-	250,550	-	-
Total bonds and installment purchase agreements			18,207,809	2,645,000	3,526,452	17,326,357	764,033
Estimated self-insurance claims			160,000			160,000	160,000
Accumulated compensated absences			956,334	350,140	354,074	952,400	392,504
Total governmental activities			\$ 19,324,143	\$ 2,995,140	\$ 3,880,526	\$ 18,438,757	\$ 1,316,537
Business-type Activities							
General Obligation Bonds - 1989 Special Assessment Limited Tax Bonds							
Amount of issue - \$4,746,249							
Maturing through 2006	7.875%	-	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
Accumulated compensated absences			125,286	46,282	48,530	123,038	54,574
Total business-type activities			\$ 140,286	\$ 46,282	\$ 63,530	\$ 123,038	\$ 54,574

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 764,033	\$ 688,673	\$ 1,452,706
2008	827,324	687,056	1,514,380
2009	790,000	660,629	1,450,629
2010	835,000	632,179	1,467,179
2011	960,000	601,012	1,561,012
2012-2016	5,155,000	2,414,918	7,569,918
2017-2021	5,895,000	1,266,479	7,161,479
2022-2023	2,100,000	152,000	2,252,000
Total	<u>\$ 17,326,357</u>	<u>\$ 7,102,946</u>	<u>\$ 24,429,303</u>

Defeased Debt - During the year, the City issued \$2,645,000 in general obligation bonds with an average interest rate of 3.85 percent. The proceeds from these bonds were used to advance refund \$2,550,000 of outstanding bonds with an average interest of approximately 5 percent. The net proceeds of \$2,581,190 (after payment of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's schedule of debt obligations. The advance refunding reduced the total debt service payment over the maturity of the bonds by approximately \$11,000 per year, which represents an economic gain of approximately \$114,000 net present value. The new bonds are payable through 2020 at interest rate ranging from 3.75 percent to 4.00 percent.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased insurance through the Michigan Municipal Workers' Compensation Fund for workers' compensation claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property loss, torts, errors and omissions, and medical benefits.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 9 - Risk Management (Continued)

The Michigan Municipal Workers' Compensation Fund operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2006	2005
Estimated liability - Beginning of year	\$ 160,000	\$ 160,000
Estimated claims incurred, including changes in estimates	262,797	356,076
Claim payments	(262,797)	(356,076)
Estimated liability - End of year	<u>\$ 160,000</u>	<u>\$ 160,000</u>

Note 10 - Defined Benefit Pension Plan

Plan Description - The Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers employees in the command and patrol divisions. The plan was approved on April 1, 1998. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's competitive bargaining units. The Township is required to contribute up to 15 percent of the annual payroll, and employees are required to contribute amounts in excess of 15 percent.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended December 31, 2006, the Township's annual pension cost of \$495,525 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return, (ii) projected salary increases of 4.5 percent to 12.9 percent per year, attributable to seniority/merit, and (iii) 2.5 percent per year cost of living adjustments. Both (i) and (ii) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 31 years.

Three-year trend information as of December 31 follows:

	Fiscal Year Ended December 31		
	2006	2005	2004
Annual pension costs (APC)	\$ 495,525	\$ 349,230	\$ 268,986
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2005	2004	2003
Actuarial value of assets	\$ 4,833,704	\$ 3,852,475	\$ 3,470,412
Actuarial accrued liability (AAL) (entry age)	\$ 7,125,462	\$ 5,357,806	\$ 4,760,486
Unfunded AAL (UAAL)	\$ 2,291,758	\$ 1,505,331	\$ 1,290,074
Funded ratio	68%	72%	73%
Covered payroll	\$ 3,046,487	\$ 2,330,991	\$ 2,026,925
UAAL as a percentage of payroll	75%	65%	64%

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 11 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees not enrolled in the defined benefit plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the board of trustees, the Township contributes 15 percent of employees' base earnings and voluntary employee contributions are allowed. In accordance with these requirements, the Township contributed \$366,315 during the current year and employees contributed \$12,147.

Note 12 - Other Postemployment Benefits

The Township provides health benefits to certain full-time employees upon retirement in accordance with labor contracts. Currently, four employees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this totaled approximately \$84,000.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 13 - Joint Ventures

The Township is a member of the Western Township Utilities Authority (WTUA), which provides sewage disposal services to the residents of Canton, Northville, and Plymouth Townships. The participating communities provide annual funding for its operations. During the current year, the Township paid WTUA approximately \$6,366,000 for operations, debt, and capital. The Township's equity interest is recorded within the Water and Sewer Fund. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for WTUA can be obtained from the administrative offices at 40905 Joy Road, Canton, MI 48187.

Charter Township of Northville

Notes to Financial Statements December 31, 2006

Note 13 - Joint Ventures (Continued)

The Township is a member of the 35th District Court System and has an equity interest in the 35th District Courthouse Authority (the "Courthouse"), which provides judicial services to the Township and various other surrounding communities. The Township appoints one member to the joint venture's board, which then approves the annual budget. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Township and various other surrounding communities agreed to become guarantors of bonds issued by the Courthouse during 1999. There were bonds outstanding of \$3,350,000 at December 31, 2006, of which the Township guarantees nearly 16 percent, or approximately \$526,000. Complete financial statements of the Courthouse can be obtained from the administrative offices at 660 Plymouth Road, Plymouth, MI 48170.

The Township also participates in the Northville Parks and Recreation Commission as a joint venture with the City of Northville. Approval of the annual budget is required by the City and Township. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. The Township's equity interest is recorded within the governmental activities column in the statement of net assets. The participating communities provide annual funding for its operations. During the current year, the Township contributed approximately \$688,000 for the Recreation Commission's operations. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the Township in the near future. Complete financial statements for the organization can be obtained from the administrative office at 215 West Main, Northville, MI 48167.

The investments in joint ventures are recorded in the financial statements as follows:

Joint Venture	Governmental Activities	Business-type Activities	Total
Western Township Utilities Authority (WTUA)	\$ -	\$ 4,605,193	\$ 4,605,193
35th District Court System	459,082	-	459,082
Northville Parks and Recreation Commission	1,888,197	-	1,888,197
Total	<u>\$ 2,347,279</u>	<u>\$ 4,605,193</u>	<u>\$ 6,952,472</u>

Required Supplemental Information

Charter Township of Northville

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,258,392	\$ 1,161,167	\$ 1,272,487	\$ 111,320
State sources	1,495,889	1,495,889	1,464,219	(31,670)
Building department	1,600,000	1,039,000	910,345	(128,655)
Fees, interest, and sundry	1,060,170	1,513,444	1,720,648	207,204
Total revenues	5,414,451	5,209,500	5,367,699	158,199
Expenditures				
Legislative	1,077,650	1,148,993	998,737	150,256
Clerk	404,360	546,968	537,608	9,360
Treasurer	864,940	932,590	886,776	45,814
Building department	886,050	870,150	858,659	11,491
Planning and zoning	329,324	344,449	309,208	35,241
Transfers to other funds	1,811,900	1,811,900	1,811,900	-
Total expenditures	5,374,224	5,655,050	5,402,888	252,162
Excess of Revenues Over (Under)				
Expenditures	40,227	(445,550)	(35,189)	\$ 410,361
Fund Balance - Beginning of year	3,873,618	3,553,705	3,623,705	
Fund Balance - End of year	\$ 3,913,845	\$ 3,108,155	\$ 3,588,516	

Charter Township of Northville

	Police Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenues				
Property taxes	\$ 6,145,597	\$ 5,694,709	\$ 5,694,709	\$ -
Other revenue	<u>476,863</u>	<u>1,064,980</u>	<u>1,133,023</u>	<u>68,043</u>
Total revenues	6,622,460	6,759,689	6,827,732	68,043
Expenditures	<u>5,852,290</u>	<u>6,151,540</u>	<u>5,739,148</u>	<u>412,392</u>
Excess of Revenues Over (Under) Expenditures	770,170	608,149	1,088,584	<u>\$ 480,435</u>
Fund Balance - Beginning of year	<u>4,129,801</u>	<u>4,149,629</u>	<u>4,149,629</u>	
Fund Balance - End of year	<u>\$ 4,899,971</u>	<u>\$ 4,757,778</u>	<u>\$ 5,238,213</u>	

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended December 31, 2006**

Fire Fund				Shared Services Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ 2,651,386	\$ 2,466,381	\$ 2,466,381	\$ -	\$ 2,165,884	\$ 2,154,080	\$ 2,154,080	\$ -
50,500	264,686	274,840	10,154	12,000	33,671	36,702	3,031
2,701,886	2,731,067	2,741,221	10,154	2,177,884	2,187,751	2,190,782	3,031
3,040,878	3,154,911	3,024,608	130,303	1,956,575	2,622,140	2,284,552	337,588
(338,992)	(423,844)	(283,387)	<u>\$ 140,457</u>	221,309	(434,389)	(93,770)	<u>\$ 340,619</u>
946,304	1,339,462	1,339,462		3,518	466,106	396,106	
<u>\$ 607,312</u>	<u>\$ 915,618</u>	<u>\$ 1,056,075</u>		<u>\$ 224,827</u>	<u>\$ 31,717</u>	<u>\$ 302,336</u>	

Charter Township of Northville

Note to Required Supplemental Information Year Ended December 31, 2006

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 is not known. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

- The budget process begins in August via an e-mail distribution to various Township departments.
- In August, a preliminary operating budget is adopted for the following year.
- In September, the budget is available for public viewing, a public hearing for truth and taxation takes place, and study sessions occur with the board of trustees.
- In October, the final operating budget is adopted.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds as adopted by the Township board is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the Nonmajor Special Revenue Funds budgets as adopted by the Township is available at the Township Hall for inspection.

Excess of Expenditures Over Budgeted Amounts - There were no significant budget overruns in the current year.

Other Supplemental Information

Charter Township of Northville

	Special Revenue Funds					
	Community Development Block Grant	Youth Assistance	General Capital Outlay	Special Operations Team	D.A.R.E.	Retiree Health Care
Assets						
Cash and investments	\$ -	\$ 222,570	\$ 1,375,648	\$ 12,418	\$ 14,385	\$ 1,345,772
Receivables - Special assessments	-	-	-	-	-	-
Prepaid expenses and other assets	-	2,005	-	192	-	5,122
Total assets	<u>\$ -</u>	<u>\$ 224,575</u>	<u>\$ 1,375,648</u>	<u>\$ 12,610</u>	<u>\$ 14,385</u>	<u>\$ 1,350,894</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 256	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,051	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	1,307	-	-	-	-
Fund Balances - Unreserved	-	223,268	1,375,648	12,610	14,385	1,350,894
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 224,575</u>	<u>\$ 1,375,648</u>	<u>\$ 12,610</u>	<u>\$ 14,385</u>	<u>\$ 1,350,894</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

Debt Service Funds				
Capital Projects Fund	Gerald Avenue	Beck Road Park	Land Acquisition	Total Nonmajor Governmental Funds
\$ 1,579,251	\$ 276,377	\$ 4,459	\$ 11,617	\$ 4,842,497
-	60,170	-	-	60,170
-	-	-	-	7,319
<u>\$ 1,579,251</u>	<u>\$ 336,547</u>	<u>\$ 4,459</u>	<u>\$ 11,617</u>	<u>\$ 4,909,986</u>
\$ 202,408	\$ -	\$ -	\$ -	\$ 202,664
-	-	-	-	1,051
-	60,170	-	-	60,170
202,408	60,170	-	-	263,885
1,376,843	276,377	4,459	11,617	4,646,101
<u>\$ 1,579,251</u>	<u>\$ 336,547</u>	<u>\$ 4,459</u>	<u>\$ 11,617</u>	<u>\$ 4,909,986</u>

Charter Township of Northville

	Special Revenue Funds					
	Community Development Block Grant	Youth Assistance	General Capital Outlay	Special Operations Team	D.A.R.E.	Retiree Health Care
Revenue						
Federal sources	\$ 83,898	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
Fees, interest, and sundry	-	202,464	63,647	34,933	1,510	59,371
Total revenue	83,898	202,464	63,647	34,933	1,510	59,371
Expenditures						
Police department	-	-	-	36,047	-	85,974
Shared services	-	151,343	-	-	-	-
Community development programs	83,898	-	-	-	-	-
Capital outlay	-	-	147,323	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	83,898	151,343	147,323	36,047	-	85,974
Excess of Revenue Over (Under)						
Expenditures	-	51,121	(83,676)	(1,114)	1,510	(26,603)
Other Financing Sources (Uses)						
Proceeds from issuance of debt	-	-	-	-	-	-
Transfer to escrow agent	-	-	-	-	-	-
Transfers in	-	-	705,200	-	-	512,766
Transfers out	-	(4,493)	(314,113)	-	-	-
Total other financing sources (uses)	-	(4,493)	391,087	-	-	512,766
Net Change in Fund Balances	-	46,628	307,411	(1,114)	1,510	486,163
Fund Balances - Beginning of year	-	176,640	1,068,237	13,724	12,875	864,731
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 223,268</u>	<u>\$ 1,375,648</u>	<u>\$ 12,610</u>	<u>\$ 14,385</u>	<u>\$ 1,350,894</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2006

Debt Service Funds				
Capital Projects	Gerald Avenue	Beck Road Park	Land Acquisition	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 83,898
-	-	27,875	-	27,875
108,194	42,212	247	4,494	517,072
108,194	42,212	28,122	4,494	628,845
-	-	-	-	122,021
-	-	-	-	151,343
-	-	-	-	83,898
245,386	-	-	-	392,709
1,106,925	21,381	55,013	408,638	1,591,957
1,352,311	21,381	55,013	408,638	2,341,928
(1,244,117)	20,831	(26,891)	(404,144)	(1,713,083)
-	-	-	2,645,000	2,645,000
-	-	-	(2,550,000)	(2,550,000)
906,700	-	-	314,113	2,438,779
-	-	-	-	(318,606)
906,700	-	-	409,113	2,215,173
(337,417)	20,831	(26,891)	4,969	502,090
1,714,260	255,546	31,350	6,648	4,144,011
\$ 1,376,843	\$ 276,377	\$ 4,459	\$ 11,617	\$ 4,646,101

Charter Township of Northville

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds December 31, 2006

	Tax Collection	Water and Sewer Agency	Township Escrow	Total
Assets - Cash and cash equivalents	<u>\$ 6,057,321</u>	<u>\$ 1,168,011</u>	<u>\$ 3,782,647</u>	<u>\$ 11,007,979</u>
Liabilities				
Tax collections distributable	\$ 6,057,321	\$ -	\$ -	\$ 6,057,321
Bonds and deposits	<u>-</u>	<u>1,168,011</u>	<u>3,782,647</u>	<u>4,950,658</u>
Total liabilities	<u>\$ 6,057,321</u>	<u>\$ 1,168,011</u>	<u>\$ 3,782,647</u>	<u>\$ 11,007,979</u>



Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

March 2, 2007

To the Board of Trustees
Charter Township of Northville
44405 Six Mile Road
Northville, MI 48167

Dear Board Members:

We recently completed our audit of the basic financial statements of Charter Township of Northville (the "Township") for the year ended December 31, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Miscellaneous Accounting and Recordkeeping Items

Condition of Accounting Records and Controls

We would like to compliment the Township board and the Township management for the overall positive condition of the financial records and related documentation for the fiscal year ended December 31, 2006. Strong internal controls and procedures promote timely and accurate recording of financial transactions and provide pertinent information regarding the sources and uses of public funds. We encourage the Township to continue to modify and refine existing control procedures as future financial activities change.

Internal Control Recommendations

The Township currently has various internal control procedures in place in order to safeguard a wide variety of its assets, including cash and investments. Based on our analysis, we offer the following potential improvement that could be made in order to further provide security:

- **Cash Collection and Investment Policies and Procedures** - Some Township employees who are able to collect cash also have responsibilities related to the bank reconciliation process and/or access to the general ledger system. Although it is rare that these employees actually receive cash (generally due to staffing shortages or long lines at the cashier area), controls would be enhanced if the Township were to adjust current procedures and prohibit employees from being able to complete both tasks. Specific user passwords should be employed in order to provide only certain employees with cash collection responsibilities and others with general ledger system access. We also recommend that the individual with overall review and investing responsibilities be prohibited from posting entries in the general ledger.

Revenue Sharing

The future of the State's revenue-sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January 2007 revenue estimating conference. According to economists, Michigan's budget is \$3 billion short of the revenue needed to cover basic services this year and next (State fiscal years 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing; those matters include the following:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is, when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changing Michigan Business Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. The governor's fiscal year 2007/2008 budget recommends replacing a majority of the repealed single business tax revenue with a new Michigan business tax and the enactment of a new excise tax on service providers. The new Michigan business tax (MBT) is projected to generate approximately \$480 million less annually in revenue than currently generated by the single business tax, but the new 2 percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of the fiscal 2006/2007 to help with the State's budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Additionally, there are several practical short-term concerns including:

- If revenue-sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue-sharing payment reductions could impact the Township's year ending December 31, 2007. However, the amounts may not be known until spring or summer, providing local governments with little time to react.
- Final decisions on revenue-sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$558 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

The table below details state-shared revenue for the Township over the past few years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2001.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$ 419,597	\$ 1,321,984	\$ 1,741,581	\$ -
2002	387,711	1,335,491	1,723,202	(18,379)
2003	324,421	1,358,326	1,682,747	(58,834)
2004	168,803	1,343,571	1,512,374	(229,207)
2005	120,255	1,375,634	1,495,889	(245,692)
2006	80,190	1,399,055	1,479,245	(262,336)

In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped values” or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate finance committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

Municipal Finance Act - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a preapproval for future debt issues. The current filing is due within six months of the Township’s year end (June 30, 2007) and is good for one year thereafter.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act" which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill's franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Retiree Health Care Benefits

As we have mentioned in prior correspondence, governmental accounting pronouncements will require the Township to begin to record its liability for postretirement benefits, other than pension benefits, in the Township's fiscal year ending December 31, 2009. The Township has been very proactive and began funding this obligation several years ago. Any amount of funds that are currently dedicated to funding this obligation will help to reduce actuarially determined annual contribution calculations and long-term costs.

Currently, the Township holds these funds in investments similarly to any other non-retirement investment. Michigan and federal law provides for the use of several different vehicles for holding funds set aside for the funding of retiree health care. These options include, but are not limited to, PA 149 accounts, IRC §115 "governmental trusts," and IRC §501(c)(9) "VEBA" trusts. We would suggest the establishment of one of these vehicles which would allow the dedicated funds to be invested in accordance with the pension investment rules.

One option would be to adopt a VEBA (Voluntary Employee Beneficiary Association) trust. A VEBA trust is a qualified trust under IRC §501(c)(9), which permits, with certain restrictions, payments of welfare benefits to employees and their dependents or beneficiaries. Assets in the trust are not subject to the employer's general creditors. At the same time, it is likely that the asset itself would be allowed to be reflected within the Township's annual financial statements. In order for the VEBA trust to offset OPEB liabilities, however, the exclusive purpose of the VEBA must be to pay OPEB benefits.

We would again like to compliment the Township board, Township management, and the finance department for the overall condition of the financial records and related documentation for the year ended December 31, 2006. We would also like to thank Thelma Kubitskey - assistant township manager/finance director, Delores Bowden - accounting administrator, and the entire finance department for their help and positive attitude throughout the audit. If you have any questions regarding any of the suggestions noted above or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Martin J. Olejnik", with a stylized flourish at the end.

Martin J. Olejnik